

2026 Mid-Year Tax Planning Tips for Business Owners



Monitoring federal and state tax liability obligations is an ongoing commitment. It has become a task performed by business owners on a recurring basis throughout the year. Now that we are in the third quarter of the year, it is important to analyze tax positions along with your periodic financial statement data reviews. Subtle modifications may prove beneficial in attempts to align tax planning with current regulations. This should help optimize certain tax efficiencies and avoid year-end surprises. These tips can help you identify potential tax year planning opportunities.



CHANGE IN ENTITY'S TAX CLASSIFICATION

Could you achieve lasting tax benefits by changing the business entity's tax classification?

- Electing to change the tax classification could be a prudent business decision. Some common circumstances that may lead to consideration of a change in tax classification are:
 - A partnership has decided to pay W-2 wages to its partners.
 - A partner or LLC member would like to avoid excessive self-employment tax liability.
 - There is a desire to retain cash within the company.
 - You want to take advantage of the historically low 21% corporate tax rate.
- Since tax rates change, it is important to weigh the immediate tax benefits against the long-term ramifications of any tax classification change under consideration.



DEPRECIATION, BONUS DEPRECIATION & SECTION 179 BUSINESS EXPENSING

How should you depreciate business assets for maximum tax efficiency?

- If your focus is maximizing deductions, apply Section 179 (\$2,560,000 deduction limit and \$4,090,000 investment cap for 2026) to assets with the longest recovery period first, and take bonus depreciation on other qualifying assets.
- Bonus depreciation is a 100% deduction for 2026
- Always think carefully before accelerating depreciation of assets that have both business and personal use; the IRS requires recapture of accelerated depreciation deductions if business use falls below 50% for those assets in future years.



STATE PASS-THROUGH ENTITY ELECTIONS

Have you made required elections to take advantage of state SALT (state and local tax) limit workarounds?

- Thirty-six states have enacted legislation allowing owners of pass-through entities to pay state tax at the entity level, attempting to circumnavigate the cap on the federal deduction for SALT. Many states require taxpayers to make a onetime or annual election as part of the process. Confirm your state's eligibility requirements and make the necessary elections prior to the deadline.



RESEARCH AND EXPERIMENTAL COSTS

Are you ready for more potential changes to R&D credit rules?

- The [IRS plans to require more information](#) about projects for which a business claims the research tax credit.
- Under OBBBA, businesses can immediately deduct domestic R&D expenditures in the year incurred reversing previous TCJA rules requiring 5 year amortization. Foreign R&D must still be amortized over 15 years, incentivizing companies to keep research operations onshore.



RETIREMENT PLANNING UNDER SECURE 2.0

Do you know what the [SECURE Act 2.0 means for your business](#)?

- Among the changes affecting businesses:
 - Employers can encourage participation with small incentives (besides matching funds).
 - New 401(k) plans must provide for automatic elective deferrals.
 - Plans with 100+ participants must submit audited financial statements with Form 5500.
 - Qualified plans can permit employer contributions as Roth contributions.
 - Coverage for long-term part-time employees increases began in 2025.
 - If your 2025 wages were more than \$150k, all 401(k) catch-up contributions must be made to a Roth. For businesses, this would mean their 401(k) would have to offer a Roth option for those people to make catch-up contributions.
- SECURE 2.0 also expands tax credits for small employers that offer retirement plans:
 - Employers with 100 or fewer employees are eligible for a credit of 50% of startup costs for the first three years the plan is established, up to \$5,000 per year. The credit increases to 100% of startup costs for employers with fewer than 50 employees.
 - There's an additional tax credit for small employer contributions to qualified plans for employees earning less than \$100,000. Employers can claim up to \$1,000 per employee in each of the first five years the plan is in effect, calculated as a percentage of employer contributions:
 - 100% in years 1 and 2
 - 75% in year 3
 - 50% in year 4
 - 25% in year 5
 - The additional tax credit for small employers decreases 2% for each employee over 50 employees, dwindling to zero for employers with 100 employees.
- IRS limits on voluntary employee retirement contributions for 2026 are set at:
 - \$24,500 for 401(k) account contributions. Participants who are 50 or older can contribute an additional \$8,000 as a "catch-up contribution."
 - \$17,000 for SIMPLE retirement accounts, plus \$4,000 in catch-up contributions.
 - \$7,500 in IRA contributions (traditional and Roth), plus \$1,100 in catch-up contributions.

**Recent changes to SIMPLE plan contribution rules may create additional planning considerations.*

Contact your CRI advisor to discuss how these updates may apply to your retirement plan strategy.

- Business owners who have a solo 401(k) plan can contribute to their retirement in two ways: as an employee and as an employer via match and profit-sharing contributions. These contributions can represent no more than 25% of compensation. Calculating the allowable total can be tricky; confirm the amount with your tax advisor before depositing employer contributions.



PAYROLL AND INFORMATION REPORTING READINESS

Are your payroll and reporting systems prepared for year-end requirements?

- Under the OBBBA, employers and other payors may need to track and report qualified tips and qualified overtime compensation for year-end W-2 and 1099 reporting. Review your payroll, timekeeping, and reporting processes now to confirm these compensation categories are being captured properly before year-end reporting begins.



EXPIRING TAX PROVISIONS

OBBBA made many key elements of the TCJA permanent averting sunset rules and tax rate hikes that were originally scheduled.



KEY DATES TO REMEMBER

Have you noted these important deadlines and due dates?

- July 31, 2026:
 - Deadline for employers to file Form 5500 with the Department of Labor
- September 15, 2026:
 - Due date for third-quarter 2026 estimated tax payments
 - Extended 2025 federal tax return due date for partnerships, S corps, and multi-member LLCs
 - Extended 2025 tax year deadline for partnerships, S corps, and multi-member LLCs for contributions to retirement plans
- October 15, 2026:
 - Extended 2025 federal tax return due date for C corps, sole proprietorships, and single-member LLCs
 - Extended 2025 tax year deadline for C corps, sole proprietorships, and single-member LLCs for contributions to retirement plans
- December 31, 2026:
 - Deadline for making 2026 voluntary employee contributions to solo 401(k) accounts

THE EARLY BIRD CATCHES THE TAX SAVINGS!



Scheduling time to evaluate tax positions in mid-summer may not be instinctive for diligent business owners. While tax planning might not always be part of the day-to-day operations, the benefits of a thorough strategy are rewarding and could prove valuable to your long-term financial health.

Schedule a mid-year tax review with your CRI advisor.

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